

ANNUAL REPORT



GREENBELT HOMES, INC.
2014-2015



BOARD OF DIRECTORS

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Susan Ready, Vice President
Chuck Hess, Treasurer
Ed James, Secretary
Frank DeBernardo
Bill Jones
Aaron Marcavitch
Diana McFadden
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AUDIT COMMITTEE

Anna Bedford
Ben Fischler
Jonathan Gordy

MANAGEMENT

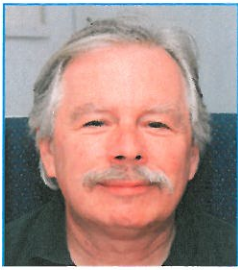
Eldon Ralph, General Manager
Joseph Perry, Director of Finance
Maesha McNeill, Human Resources Manager
Joan Krob, Director of Member Services
Tom Sporney, Director of Technical Services
George Bachman, Director of Maintenance

2014/2015 Annual Report

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President's Report for 2014



Steve Skolnik

Greetings to all members of Greenbelt Homes, Inc. from Steve Skolnik, President of GHI's Board of Directors. I am pleased to tell you that, although our housing cooperative will face many challenges and a lot of work in the coming years, the state of the coop is healthy and strong. As a community of member-owners, we have all of the resources we need to move GHI forward and to make our homes efficient, attractive, livable and marketable into the future. I am happy to report that our homes are once again increasing in value, with the average sales price 39% greater than at its lowest point in 2011; sales in 2014 have been brisk, with more homes sold than in any year since 2007.

In this report I will outline some of the important work that occurred in GHI in 2014; also we'll look forward to what's coming in the next few years.

Pilot Program

Seven years back, the Buildings Committee conducted a membership-wide survey about heating, comfort, and energy efficiency in our homes; from this survey we learned that a large number of members expressed strong dissatisfaction in these areas. The survey results led to the committee to develop of a program with these goals:

- *reduce overall energy consumption and costs in the dwelling units;*
- *improve member comfort and "livability";*
- *emphasize use of sustainable, environmentally friendly energy sources, technologies, and products where economically feasible;*
- *reduce overall life cycle costs, including preventive and corrective maintenance, for heating, cooling and domestic hot water systems;*
- *minimize disruption to households as improvements are being made; and*
- *implement the program while maintaining the unique and historic character of the GHI homes.*

The Pilot Program we started five years ago, now nearing completion, has paid generous dividends in terms of data, information, experience, and learning the coop has gathered; our Buildings Committee and Board of Directors are actively utilizing Pilot Program learning in formulating our upcoming Homes Improvement Program. A few things we've learned include:

- Some frame home crawlspaces are in worse shape than we thought, and many sump pumps have failed over the years. Crawls need to be visited/inspected more often than GHI has been doing.
- Application of spray foam insulating sealant in crawlspaces and attics may be problematic, potentially posing a health hazard to members.
- Installing exterior insulation and vinyl siding on block homes results in greater comfort and energy savings; this improvement 'pays for itself' in reduced energy bills. However, some members object to the dramatic change in appearance of the block homes, preferring the 'iconic' and 'historic' look of painted concrete block. Also, insulating block homes from the inside is neither practical nor cost effective.
- In frame homes, adding insulation to exterior walls results in greater comfort in the homes and lower power bills, however the improvement does not 'pay for itself' in energy savings over a reasonable time period.
- Adding insulation to frame and brick home attics results in greater comfort in the homes, however the improvement does not 'pay for itself' in energy savings over a reasonable time period.
- Electric baseboard heaters are capable of heating GHI homes adequately, if properly sized and operated, and kept reasonably clean.
- Ductless 'mini-split' heat pumps work well in GHI homes, however in very cold weather may need to be supplemented with existing baseboard heaters.

Our building science consultants, Homes Improvement Research Labs (H.I.R.L.), continues to monitor sensors and collect temperature and humidity data in the (28) pilot homes through the end of the 2014/15 heating season. Once the data set is complete, H.I.R.L. will write their final report on Phase 3 of the Pilot Program (Members are urged to read other reports that have been issued as work progressed; these are available at <http://ghi.coop/content/pilot-program>.)

Based on information developed by the Buildings Committee's outstanding task force on crawlspaces, the Board of Directors has adopted a plan to test a 'partially-conditioned crawlspace' solution in two frame rows, as well as to improve two masonry row crawlspaces; this work in order to determine installation challenges, effectiveness of the selected methods and materials, and actual costs.

Homes Improvement Program (H.I.P.)

This program has two main components: work items already funded through our Replacement Reserves Program, and work items that need additional funding. Here is a summary of the program the Board recommends for approval, based on learning that has occurred in the Pilot Program, and on recommendations from H.I.R.L.

I. Community-wide work items

- A. Work funded under Replacement Reserves Program includes replacing windows, entry doors, electric baseboard heaters, and frame home vinyl siding
- B. Work requiring additional funding will be in our crawlspaces
 - i. Frame Homes: Crawlspace conversion to sealed, partially-conditioned spaces
 - ii. Masonry Homes: Crawlspace sealing, insulation and other repairs/upgrades

II. Member-selected, optional work items (paid for by individual members)

- A. Members will have time after the vote to select optional items for their individual homes.
- B. Members will pay for full cost of selected optional items
 - i. GHI is working to develop specific costs by home type and size, e.g., heat pump for 1-bedroom vs. 2- or 3-bedroom homes.
 - a) Member can pay in full after installation; or
 - b) Member can secure a loan through GHI financing plan; or
 - c) Member can secure a personal bank loan.
- C. A list of the Board recommended optional improvements is included elsewhere in your meeting packet.

Other Board of Directors Major Activities in 2014

In addition to working on the Pilot Program and H.I.P. planning, a list of work undertaken by your Board of Directors includes the following:

- Conducted strategic planning / visioning work sessions
- Conducted City Council / GHI stakeholders work session June 30 to discuss:
 - WSSC piping/meter replacement project
 - Poor workmanship and condition of Comcast demarcation boxes on GHI buildings
 - City owned trees needing maintenance
 - Marketing of Community in Greenbelt
 - GHI signs in disrepair (owned by City)
 - Rights of Way issues (GHI structures near or on City property)
 - PEPCO infrastructure upgrade project (utility poles and wires); Verizon and Comcast work
- Held weekly planning meetings with General Manager, President and Vice-President
- Held town hall meeting (and follow-up activities)
- Entered City/GHI partnership to address residential hoarding
- Contacted state legislators to express cooperative's interests in proposed laws
- Reinstated 1% member working capital contribution at time of purchase
- Updated policy on unauthorized rentals
- Convened five Member Complaint Panels, Informal and Formal Hearings
 - Terminated two memberships for cause
 - Convened two special membership meetings to hear member appeals

- Worked with staff to study purchase of electric vehicle(s) for GHI fleet – purchased coop's first electric van
- Established *ad hoc* Historic Preservation Task Force
- Considered and approved 2015 Budget of \$10,253,326
- Developed program to install state-required upgraded smoke detectors in all GHI units and GDC apartments
- Developed and executed Memo of Understanding on land care with Greenbelt Community Gardens Club
- Accepted recommendations of *ad hoc* Bylaws Committee for three changes; considered by membership and approved at May, 2014 membership meeting
- Entered agreement for energy efficiency upgrades at GHI Admin Complex

Committees and Their Contributions

Member volunteers serving on GHI's many committees do much of the work needed to keep our unique housing cooperative running smoothly. I want to express tremendous praise and appreciation for those who give their valuable time and astonishing expertise for the benefit of us all. Our committees, and a few of the tasks they have accomplished in 2014, include the following:

- Architectural Review Committee
 - Designed and implemented kitchen and bathroom renovation contests
 - Reviewed members' exception requests
 - Reviewed policies on:
 - privacy screens
 - door color palette
 - wall materials to patch at removed through-wall A/C units
 - invasive plants in yards
 - tree removal by members
- Buildings Committee
 - Continued monitoring work on Pilot Program
 - Created task force to address crawl space issues
 - Created task force to draft policy on solar domestic hot water systems in GHI
 - Created task force to draft policy on electric vehicle charging stations in GHI
 - Created task force to recommend communications outreach methods for H.I.P.
- Communications Committee
 - Reviewed and updated media policy
 - Codified official GHI logo
 - Developed / published monthly *Communicator*
 - Developed visual program for town hall meeting
- Companion Animals
 - Entered Spay/neuter partnership program with City
 - Considered member requested exception for in-ground electronic fence
- Finance
 - Reviewed and recommended updates to member delinquency policy and procedures
 - Drafted, reviewed and recommended financing options for H.I.P. work items
- Investment
 - Studied bond investment opportunities, made investments consistent with GHI's policy and future expenditure needs

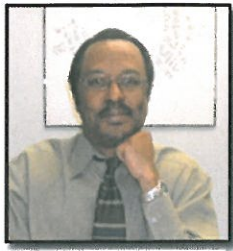
- Marketing Committee
 - Developed updated GHI marketing brochure
 - Planned and conducted two community-wide open houses

- Member Outreach
 - Generated report on how to improve member participation and effectiveness of committees
- Woodlands
 - Coordinated annual survey of GHI woodlands
 - Oversaw Forest Conservation Management Agreement plan for GHI woodlands
 - Reviewed tree and planting issues in GHI common areas
- Yard Lines
 - Studied and certified 119 yard lines, for a cumulative total of 1,291

If you've read this far, I hope you've gained an appreciation for the work our Board of Directors, committees, and staff do to keep GHI humming. Serving as President, I have a new understanding of all that goes into keeping our 'ship' afloat and on course for a healthy, cooperative future.

Respectfully submitted,
Steve Skolnik
President, Greenbelt Homes, Inc.





Eldon Ralph

General Manager's 2014 Report

Our staff has had a rewarding year in carrying out the directives of the Board of Directors and accomplishing our strategic goals. I am pleased to share this report with you, which highlights some of our major activities and accomplishments:

EMPLOYEE MATTERS

- We bade farewell to three (3) stalwart employees - Kenny Grimes (Fee-for-Service Coordinator), Matt Berres (Director, Maintenance Services) and Brenda Lewis (Director, Human Resources), and welcomed new staff - Clay Otley (Fee-for-Service Coordinator) and Maesha McNeill (Manager, Human Resources). George Bachman was promoted to the position of Director, Maintenance Services.
- Instituted a formal mentoring program that will enable less experienced employees to develop professionally through interaction with more knowledgeable employees.
- Began implementing an emergency back-up succession plan, by training one employee as a back-up re-sales' inspector and another as a back-up warehouse inventory clerk.
- Training activities included:
 - Four (4) safety training meetings for all staff.
 - A team-building training program on "RelationShifts" for all staff.
 - Webinars for senior staff on the following topics:
 - An Ounce of Prevention, How to Stop Fraud and Embezzlement.
 - Laying the Groundwork for Positive, Effective Board Meetings.
 - Ending Publicity wars – How to diffuse a Media Crisis.

FINANCIAL SERVICES

- Accounts' receivable transactions: Processed 13,227 EZ Pay and 8,600 other receipts.
- Accounts' payable: Processed 6,654 invoices and 2,318 checks/credit payments.
- Reconciled differences between actual monthly payments and real estate tax invoices for 1,697 accounts.
- Produced 1,694 substitute 1098 statements (for 2013 and prior years).
- Staff worked diligently with GHI's attorney, mortgage lenders and realtors to facilitate short-sales of three (3) units. GHI took possession of another three (3) units due to financial defaults by former members. The three (3) units were repaired and resold.
- Two (2) members voluntarily assigned their units to GHI. Also, GHI took possession of two (2) units, due to non-financial defaults by former members. The four (4) units are currently being repaired and will be resold.
- Conducted 24 pre-purchase orientations for prospective members, facilitated settlements for 89 unit sales, and prepared 32 new Mutual Ownership Contracts for units that were re-financed.
- Due to careful oversight, GHI has managed to keep coop fee delinquency levels to less than 1% of revenues.
- Drafted revised criteria for selection of tenants for the Parkway Apartments, which the Board approved.

IT SERVICES

- Installed a search-engine feature on GHI's website.
- Hired a contractor to provide oversight and 24/7 monitoring of the servers, preventive maintenance and emergency management of GHI's IT systems. The reliability of our IT services has been greatly enhanced.

MEMBER SERVICES

- Addressed 163 concerns about behavior and occupancy issues.
- Assisted the Board with arrangements for 17 member complaint hearings.
- Coordinated logistics for three membership meetings, two new member social events, and the annual members' picnic.
- Supported the Member Outreach Committee with the logistics for the Labor Day Festival activities.
- Posted 425 updates to GHI's website for homes on the market, calendar updates, News & Alerts, the Homes Improvement Program and committee updates.
- The Manager's office continued to provide members with timely information on major GHI activities via the weekly e-newsletter.
- Staff approved 6 applications from members to rent their units based on criteria established by the Board.

MAINTENANCE SERVICES

- Completed 11,315 maintenance work orders, including:
 - 372 tree maintenance
 - 582 pest control
 - 348 water heater service
 - 493 preventive maintenance
 - 361 gutter repairs
 - 112 roof repairs
- Revenues for fee-for-service work billed to members totaled \$100,908.
- Transferred inventory control of materials in the warehouse from the Jenark Financial System to the Micromain Computerized Maintenance Management System. This change allows us to better monitor materials that are used on work orders and reduce inventory levels through more efficient inventory control.
- Last October, a random inspection of crawlspaces under 20 frame buildings revealed that a large percentage of the sump pumps under the frame homes were not working. Steps have been taken to correct this deficiency and ensure that all sump pumps are operational by the end of April 2015.
- Pepco installed LED lights within the Administrative building and compound, replaced two refrigerators and also a hot water heater at no cost to GHI. The estimated energy savings are \$4,400 per year.
- Staff conducted a community-wide survey of all defective Comcast boxes. Due to the assistance of the City of Greenbelt, Comcast repaired all of the defective boxes.
- Acquired GHI's first electric vehicle – a van for the maintenance department.
- Installed lithium-ion smoke detectors in the Parkway Apartments. New Maryland regulations require this type of smoke detector to be installed in all residential units by 2018.

TECHNICAL SERVICES

- Performed 252 resale-related home inspections.
- Assisted the Ad Hoc Yard Line Committee to define yard boundaries for 127 units. By the end of 2014, 1,291 units' yard boundaries had been certified by the Board.
- Processed 173 permit requests from members for home improvements and maintenance projects, approving 130 of them.
- Staff prepared bid specifications, held pre-bid/pre-construction meetings and supervised contractors who undertook the following major improvements and maintenance projects:
 - Spring and fall gutter cleaning for \$50,656.
 - Replacement of underground sewer and storm piping at 19 sites for \$180,100.
 - New underground drainage systems at 6 sites for \$28,970.
 - Reconstruction of parking lots at 2Ct Plateau and 55Ct Ridge, as well as seal coating and striping of lots at 29 courts for \$62,643.
 - Installation of a new roof at 133 Greenhill. The total repair cost was \$13,328.
 - Replaced roofs on 3 additions, at 30A Ridge, 11G-H Hillside for \$10,366.
 - Sidewalk repairs at 60 locations for \$34,280.
 - Replaced electrical panels in 5 masonry buildings for \$19,066. This was the final portion of the work that began in 2011 to inspect electrical service masts, meter panels and grounding connections within all GHI buildings and correct deficiencies.
 - Construction work for phase 3 of the pilot program which included HVAC split systems in 8 homes for \$63,081 and thermostats & ceiling heaters in 16 homes for \$38,395.
- Filed insurance claims and supervised work for:
 - Gutter repairs due to a February snow storm at a cost of \$52,438.
 - Repairs to units at 6 Ridge Rd due to tree damage at a cost of \$50,191.
 - Repairs to units at 20 Ridge Rd due to tree damage at a cost of \$19,732.

I hope you enjoy reviewing our many accomplishments during the past year. Staff members like working with GHI, and we are always striving to do a better job to serve our members. We welcome your feedback about the services you receive and your ideas about ways they can be improved.

Sincerely,



Eldon Ralph, General Manager





AUDIT COMMITTEE ANNUAL REPORT MAY 14, 2015

The Audit Committee is composed of three members who are elected for one year terms during which our duties are to monitor the overall operations of GHI, as described in Article VII Section 2 of the co-op's bylaws. In order to carry out this charge, the members of the Audit Committee attend all regular and special meetings of the Board of Directors of GHI and GDC, including executive sessions, and have access to all books, records, attorneys, and auditors of the co-op. This is an essential oversight function to ensure that the co-op is functioning properly, economically, and efficiently. Please note that the Audit Committee needs and welcomes input from the membership at large; the Audit Committee members and their contact information are listed on the GHI website.

The current Audit Committee (elected for the 2014-2015 term) had at least one member at all meetings of the Board of Directors, both open and in executive session, as well as attending various committee and task force meetings, member complaint panels, and informal and formal hearings. Regular attendance at these meetings has allowed for comment and input intended to contribute to the co-op's effective governance. This year the Audit Committee did not utilize its annual budget of \$1,000 to support Audit Committee activities.

This has been a challenging year for the co-op, with many decisions being made leading up to the membership votes about the Homes Improvement Program planned for the 2015 Annual Meeting. The level of transparency in this process has been generally good, with members expressing themselves and the Board of Directors listening and deliberating openly. However, GHI has room for improvement, as is true of any organization. The Finance Committee needs more members and its meetings need to be advertised more clearly, always giving adequate notice. Committee meetings should offer genuine opportunity for member participation. In general, more member participation in committee work is needed, as is recognized in a recent report from the Member Outreach Committee.

For the fifth year in a row GHI retained Wegner CPAs to perform a professional audit of the 2014 financial statements of GHI and GDC. A full report from Wegner CPAs was not yet available at the time this Audit Committee report was written, but is expected before the May 14th GHI Annual Meeting. The Audit Committee talked with the professional auditors from Wegner CPAs both before and at the end of their on-site work with the financial records of GHI and GDC. These discussions indicated that the professional audit had found no significant problems, concluding that the co-op's financial operation is very sound, although some recommendations for improved financial procedures are expected. GHI is making progress in responding to recommendations from previous years' audits, and we hope 2015 will see GHI fully implementing all of the auditors' recommendations.

2014-2015 AUDIT COMMITTEE MEMBERS

Anna Bedford
Ben Fischler
Jonathan Gordy

Treasurer's Report 2014/2015

Financial Condition

This has been another good year financially for GHI. GHI is in a very strong financial position. We ended up the year within two percent of what we budgeted and again had a surplus. This year the Surplus was \$189,782 before Depreciation. The 2014 GHI Income Statement Summary follows this report. There are notes for the items that were more than 3% and \$10,000 different than the Budget. Details of each budgeted line item are included in the 2014 Budget booklet that is available to all members at the GHI Administration Office. The Audited Financials are also a part of this Annual Report.

2015 Budget:

The 2015 Budget of \$10,253,626 which was the first budget that GHI had that exceeded \$10,000,000. Member fee increases averaging 3.8% for frame homes, 4.4% for larger homes and 0.3% for masonry homes. The variation between home groups was because of differences in the projected real estate taxes and specific maintenance activity for each of the three home groups.

Real Estate Taxes:

Real estate taxes are now based on the actual Prince George's County invoice for each home, and a share of the Real Estate Taxes for the common areas. In September, members were notified of a reconciliation adjustment, which would occur at the end of the year. That reconciliation adjusted the amount paid by the member for the year to their actual cost. The Finance department applied those adjustments directly to member accounts in December. Those who paid too much during the year had a credit and therefore, paid less in December while those who did not pay enough to cover the actual real estate taxes of their particular unit had to pay more in December.

Home Sales:

In 2014, eighty-nine homes sold compared to eighty-eight in 2013. First quarter activity in 2015 is similar to activity during the same time in 2013. We hope that this indicates the continuation of a stronger resale market in GHI.

Future Activity:

GHI has been spending a lot of time and effort in planning for future activities. The Homes Improvement Program (HIP) appears to finally be ready to move forward. GHI has proposed to make significant improvements to the crawl spaces that will require substantial expenditures. These are major programs that are being handled by our staff, committees, and the Board, with decisions finally made by the membership. The expenditures will be major, but well within our abilities to handle.



Chuck Hess, 2014/2015 Treasurer

Greenbelt Homes, Inc.
Income Statement Summary
For the Year Ending 12/31/2014

	Year-To-Date <u>Actuals</u>	Year-To-Date <u>Budgets</u>	Y-T-D Dollar <u>Variance</u>	Y-T-D % <u>Variance</u>
<u>RECEIPTS</u>				
Member charges	\$ 9,005,074	\$ 9,016,545	\$ (11,471)	-0.1%
	9,005,074	9,016,545	(11,471)	-0.1%
Service income	444,284	446,170	(1,886)	-0.4%
Other income	(A) 632,364	469,350	163,014	34.7%
	1,076,648	915,520	161,128	17.6%
Total receipts	10,081,722	9,932,065	149,657	1.5%
<u>EXPENSES:</u>				
Real estate taxes	3,136,868	3,152,319	(15,451)	-0.5%
Trash collection	429,076	439,803	(10,727)	-2.4%
Insurance	(B) 479,595	529,900	(50,305)	-9.5%
Admin/BOD/Comm/Mbr	(C) 1,302,164	1,254,806	47,358	3.8%
Maintenance operations	3,009,545	3,020,540	(10,995)	-0.4%
Transfer to reserves	1,534,692	1,534,697	(5)	0.0%
Total expenses	9,891,940	9,932,065	(40,125)	-0.4%
Receipts over (under) expenses	\$ 189,782	\$ -	\$ 189,782	N/A
Depreciation member units	\$ 620,528	\$ 604,548	\$ 15,980	2.6%

Notes to Income Statement Summary

RECEIPTS

(A) Other income (Up 34.7%) **\$ 163,014**

This favorable variance results from interest income, miscellaneous income and contract processing income which all exceeded budget for the year.

EXPENSES

(B) Insurance (Down 9.5%) **\$ (50,305)**

This favorable variance reflects actual insurance premiums as well as uninsured losses which are, in total, less than originally budgeted.

(C) Admin/BOD/Comm/Mbr (up 3.8%) **\$ 47,358**

This unfavorable variance is the result of a closing entry to adjust the cooperative's deferred taxes.

Investment Committee Report 2014

The Investment Committee has the responsibility of investing funds on behalf of GHI. Those funds include amounts that are set aside for replacement reserves. Building components (roofs, windows, doors, hot water heaters, for example) wear out. GHI has a plan for their replacement, and has set up a replacement reserve fund to take care of future capital costs. Members' coop fees include the cost of maintaining an adequate reserve to meet this need. The replacement reserve plan is reviewed periodically and was completely updated by a consultant in 2013.

As of December 31, 2014, GHI held \$16,231,924 in investments and cash equivalents. Our investment portfolio was comprised of individual corporate bonds, two mutual bond funds - Vanguard Short Term Investment Grade Fund Admiral Shares (VFSUX) and Vanguard Intermediate Term Investment Grade Fund Admiral Shares (VFIDX), a short-term money market account, and a certificate of deposit with National Cooperative Bank as outlined below.

GHI investment return from all these investments totaled \$538K. The interest rates received in 2014 on individual bonds held in GHI's bond ladder ranged between 2.25% and 9.70% for an average of 5.11%. The total return for the VFSUX was 3.26% in 2014 while the VFIDX was 4.44%. GHI earned a net profit of \$116K from the VFSUX & VFIDX funds (\$166K from dividends and capital gains less a \$50K loss in principal from sales of these bond funds as the Investment Committee reduced GHI's holdings in the VFSUX & VFIDX funds). The one-year certificate of deposit with the National Cooperative Bank matured in January 2015 and had an annual percentage yield of 0.32%.

Corporate Bond Investments				Mutual Fund Investments	
<u>Face Value</u>	<u>Company Name</u>	<u>Coupon</u>	<u>Maturity</u>		
\$ 200,000	Telefonica Emisiones Sau	4.949%	01/15/15	\$ 4,320,226	Short term bond fund (VFSUX)
200,000	AM South	5.200%	04/01/15	562,194	Intermediate bond fund (VFIDX)
250,000	M&I Marshall	4.850%	06/15/15	128,380	Vanguard ST Investment Grade Fund
200,000	Symantec	2.750%	09/15/15	<u>5,010,800</u>	Total Mutual Funds
100,000	DirectTV Holdings	3.500%	03/01/16		
100,000	Best Buy	3.750%	03/15/16	533,029	Corporate Bond Premium/Discount
200,000	Embarq Corp	7.082%	06/01/16	(41,906)	Unamortized premium
100,000	AutoZone Inc.	6.950%	06/15/16		Unamortized discount
100,000	Target Corp	5.870%	07/15/16	<u>16,131,923</u>	Total Investments
100,000	Hershey Company	5.450%	09/01/16		
100,000	Wachovia Corp	5.625%	10/15/16		Cash & Cash Equivalent
200,000	Health Care properties	6.000%	01/30/17	1	Cash & Money Market
200,000	Ryder System Inc.	2.500%	03/01/17	100,000	Certificate of Deposit
200,000	Southwest Airlines	5.125%	03/01/17	100,001	Total Cash & Cash Equivalent
80,000	Costco Wholesale Corp	5.500%	03/15/17		
100,000	McDonald's Corp.	5.300%	03/15/17	<u>\$ 16,231,924</u>	Total Investments and Cash Equivalents
100,000	Tenneco	8.125%	06/15/17		
300,000	Kroger	6.400%	08/15/17		
200,000	Merrill Lynch	6.400%	08/28/17		
300,000	General Electric Cap	5.625%	09/15/17		
200,000	ERP Operating	7.125%	10/15/17		
200,000	General Electric	5.250%	12/06/17		
100,000	Southwestern Electric	5.875%	03/01/18		
400,000	Pitney Bowes	4.750%	05/15/18		
200,000	Republic Services, Inc.	3.800%	05/15/18		
300,000	Total System Services	2.375%	06/01/18		
100,000	International Paper	7.950%	06/15/18		
300,000	Rogers Communications	6.800%	08/15/18		
100,000	Altria Group	9.700%	11/10/18		
300,000	Barrick Gold Corp	6.950%	04/01/19		
300,000	Altria Group	9.250%	08/16/19		
200,000	MeadWestvaco Corp	7.375%	09/01/19		
200,000	Newmont Mining Corp	5.125%	10/01/19		
400,000	Time Warner Cable Inc.	5.000%	02/01/20		
300,000	Comcast Corp.	5.150%	03/01/20		
300,000	National Rural Utility Corp.	2.350%	06/15/20		
300,000	Allergan Inc.	3.375%	09/15/20		
100,000	Symantec Corp.	4.200%	09/15/20		
300,000	General Electric Cap	5.300%	02/11/21		
300,000	Steelcase Inc.	6.375%	02/15/21		
100,000	Kinder Morgan Energy	3.500%	03/01/21		
200,000	Barrick NA Finance	4.400%	05/30/21		
200,000	NextEra Energy Capital	4.500%	06/01/21		
200,000	Hewlett-Packard Co	4.650%	12/09/21		
300,000	Occidental Petroleum	3.125%	02/15/22		
300,000	Medtronic Inc.	3.125%	03/15/22		
300,000	Apache Corp	3.250%	04/15/22		
200,000	Broadcom Corp	2.500%	08/15/22		
200,000	Block Financial	5.500%	11/01/22		
200,000	General Dynamics	2.250%	11/15/22		
200,000	Allergan Inc.	2.800%	03/15/23		

Susan J. Ready

Susan Ready, Chair
GHI Investment Committee



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Greenbelt Homes, Inc.
Greenbelt, Maryland

We have audited the accompanying consolidated financial statements of Greenbelt Homes, Inc., which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of income, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Greenbelt Homes, Inc. as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 15 be presented to supplement the consolidated

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financial statements. Such information, although not a part of the consolidated financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audit of the consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Wegner CPAs, LLP

Wegner CPAs, LLP
Madison, Wisconsin
April 17, 2015

GREENBELT HOMES, INC.

**CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

December 31, 2014 and 2013

(This page not numbered intentionally)

GREENBELT HOMES, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2014 and 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash	\$ 480,000	\$ 1,021,823
Accounts receivable - net	201,413	159,977
Inventory	50,911	51,269
Prepaid expenses	193,878	156,547
Current portion of notes receivable	1,723	3,242
Total current assets	927,925	1,392,858
OTHER ASSETS		
Accounts receivable - noncurrent (Note 2)	72,795	81,210
Notes receivable - less current portion	3,894	87,861
Investments (Note 3)	16,131,923	14,560,458
Investment in NCB (Note 4)	885,137	885,137
Homes for sale (Note 5)	171,233	135,572
Property and equipment - net (Note 6)	4,967,838	5,148,349
Total other assets	22,232,820	20,898,587
Total assets	\$ 23,160,745	\$ 22,291,445
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 441,163	\$ 742,543
Deposits and deferred revenue	204,572	257,987
Prepaid rents	11,910	5,576
Accrued expenses	197,277	365,006
Total current liabilities	854,922	1,371,112
OTHER LIABILITIES		
Escrow of former member equity (Note 8)	52,467	52,599
Deferred taxes (Note 9)	93,000	38,000
Total liabilities	1,000,389	1,461,711
MEMBERS' EQUITY		
Replacement reserve	12,211,658	10,851,355
Contingency reserve	909,789	902,172
Addition maintenance reserve	1,109,209	982,716
Working capital fund	1,493,490	1,591,429
Property and equipment	4,967,838	5,148,349
Operations reserve	60,000	-
Unreserved operating fund	1,459,012	1,415,879
Unrealized loss on investments	(50,640)	(62,166)
Total members' equity	22,160,356	20,829,734
Total liabilities and members' equity	\$ 23,160,745	\$ 22,291,445

See accompanying notes.

GREENBELT HOMES, INC.
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2014 and 2013

	2014	2013
REVENUE		
Member charges	\$ 9,012,896	\$ 8,719,456
Less: contributions to reserves	(1,534,692)	(1,326,531)
Apartment rental income	544,118	535,202
Garage income	219,542	219,881
Fee for service	174,912	296,350
Contract processing	138,027	152,664
Investment return (Note 3)	537,974	411,209
Miscellaneous	170,499	108,072
Total revenue	9,263,276	9,116,303
OPERATING EXPENSES		
Real estate taxes	3,227,264	3,096,285
Maintenance	3,056,397	3,208,734
Administrative	1,372,393	1,271,147
Insurance	467,549	459,142
Trash collection	432,935	433,073
Depreciation on operating assets	119,100	120,248
Member services	23,094	24,287
Total operating expenses	8,698,732	8,612,916
Net income before depreciation on members' units and income taxes	564,544	503,387
Depreciation on members' units	625,951	581,670
Net loss before income taxes	(61,407)	(78,283)
Provision for income taxes (Note 9)	56,250	6,000
Net loss	\$ (117,657)	\$ (84,283)

See accompanying notes.

GREENBELT HOMES, INC.
CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
Years ended December 31, 2014 and 2013

	Replacement Reserve	Contingency Reserve	Addition Maintenance Reserve	Working Capital Fund	Property and Equipment	Operations Reserve	Unreserved Operating Fund	Unrealized Gain (Loss) on Investments	Total
Balance December 31, 2012	\$ 9,615,121	\$ 811,900	\$ 873,543	\$ 1,696,743	\$ 5,027,308	\$ -	\$ 1,730,351	\$ 33,348	\$ 19,788,314
Member redemptions from working capital account	-	-	-	(105,314)	-	-	-	-	(105,314)
Member capitalizations of replacement reserve	1,326,531	-	118,263	-	-	-	(118,263)	-	1,326,531
Interest income	326,913	-	29,700	-	-	-	(356,613)	-	-
Transfers	325,427	90,272	-	-	121,041	-	(536,740)	-	-
Replacement reserve utilization	(742,637)	-	(38,790)	-	-	-	781,427	-	-
Net loss	-	-	-	-	-	-	(84,283)	-	(84,283)
Other comprehensive income	-	-	-	-	-	-	-	(95,514)	(95,514)
Balance December 31, 2013	10,851,355	902,172	982,716	1,591,429	5,148,349	-	1,415,879	(62,166)	20,829,734
Member redemptions from working capital account	-	-	-	(97,939)	-	-	-	-	(97,939)
Member capitalizations of replacement reserve	1,411,077	-	123,615	-	-	-	-	-	1,534,692
Interest income	347,243	-	31,447	-	-	-	(378,690)	-	-
Transfers	124,839	7,617	-	-	(180,511)	60,000	(11,945)	-	-
Replacement reserve utilization	(522,856)	-	(28,569)	-	-	-	551,425	-	-
Net loss	-	-	-	-	-	-	(117,657)	-	(117,657)
Other comprehensive loss	-	-	-	-	-	-	-	11,526	11,526
Balance December 31, 2014	\$ 12,211,658	\$ 909,789	\$ 1,109,209	\$ 1,493,490	\$ 4,967,838	\$ 60,000	\$ 1,459,012	\$ (50,640)	\$ 22,160,356

See accompanying notes.

GREENBELT HOMES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (117,657)	\$ (84,283)
Adjustments to reconcile net loss to net cash flows provided by operating activities		
Allowance for doubtful accounts	(7,343)	7,966
Depreciation	745,051	701,918
Amortization of bond premiums and discounts	130,637	89,739
Bad debts	11,437	8,284
Gain on sale of homes	-	(9,744)
Realized loss on investments	50,250	280,589
Deferred taxes	55,000	1,000
(Increase) decrease in assets		
Accounts receivable	(37,115)	2,620
Inventory	358	(10,073)
Prepaid expenses	(37,331)	(109,856)
Homes for sale	(35,661)	103,442
Increase (decrease) in liabilities		
Accounts payable	(301,380)	308,981
Deposits and deferred revenue	(53,415)	102,778
Prepaid rents	6,334	(4,558)
Accrued expenses	(167,729)	110,361
Escrow of former member equity	(132)	4,741
Net cash provided by operating activities	241,304	1,503,905
CASH FLOWS FROM INVESTING ACTIVITIES		
Collections on notes receivable	85,486	3,729
Purchases of property and equipment	(564,540)	(822,959)
Purchases of investments	(5,800,000)	(4,663,751)
Proceeds from sales of investments	4,059,174	2,790,000
Net cash used in investing activities	(2,219,880)	(2,692,981)
CASH FLOWS FROM FINANCING ACTIVITIES		
Member capitalizations of replacement reserve	1,534,692	1,326,531
Member redemptions from working capital account	(97,939)	(105,314)
Net cash provided by financing activities	1,436,753	1,221,217
Net change in cash	(541,823)	32,141
Cash - beginning of year	1,021,823	989,682
Cash - end of year	\$ 480,000	\$ 1,021,823
SUPPLEMENTAL DISCLOSURES		
Cash paid toward income taxes	\$ -	\$ 5,000

See accompanying notes.

GREENBELT HOMES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

Greenbelt Homes, Inc. (the Cooperative) is a non-stock housing cooperative incorporated in Maryland in 1949. The Cooperative provides community facilities, services, and benefits for the welfare of its members and the usefulness of the community. Each of its 1,600 members has entered into a mutual ownership contract with the Cooperative, which in turn entitles the member to occupy, as a principal residence, a dwelling unit in the buildings owned by the Cooperative, which are located in Greenbelt, Maryland. Greenbelt Development Corporation (GDC) owns and operates 60 apartment units and 52 garages, also located in Greenbelt, Maryland.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include the accounts of Greenbelt Homes, Inc. and its wholly owned subsidiary, Greenbelt Development Corporation. All material intra-entity transactions have been eliminated.

Receivables

The Cooperative uses the allowance method to account for uncollectible receivable balances. The allowance is based on management's estimate of potential uncollectible receivable amounts. When accounts become uncollectible they are charged to the reserve. At December 31, 2014 and 2013 the allowance for doubtful accounts was \$16,436 and \$23,779.

Inventory

Inventory, which consists of items for repair and replacement of buildings and improvements, is valued at the lower of cost or market determined using the first-in, first-out (FIFO) method.

Investments

All "held to maturity" securities are reported at amortized cost with realized gains and losses included in earnings. The cost of securities sold is determined by the specific identification method. All "available for sale" securities are reported at aggregate fair value with unrealized gains and losses excluded from earnings and reported as a separate component of the Cooperative's equity.

Property and Equipment

Purchases of property and equipment are recorded at cost. Depreciation is provided using the straight-line method over 5 to 35 years, the estimated useful lives of the assets.

Contributions to Reserves

The Cooperative treats the component of member charges designated for capital expenditures and major repairs and maintenance as contributions to members' equity. These amounts are deducted from member charges in the consolidated statements of income.

GREENBELT HOMES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consists of taxes currently due plus deferred taxes related primarily to differences between the bases of certain assets and liabilities for financial and tax reporting. The deferred taxes represent the future tax return consequences of those differences, which will be taxable when the assets and liabilities are settled.

The Cooperative files income tax returns in the U.S. federal jurisdiction and the state of Maryland jurisdiction. With few exceptions, the Cooperative is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2011.

Members' Equity

The Cooperative designates members' equity into the following reserve funds:

Replacement reserve—The replacement reserve is used to account for funds accumulated for capital expenditures and major repairs and replacement of property. Amounts received by the reserve are derived from periodic member collections and allocations of budgetary surpluses as determined by the board of directors, as well as interest earned on investment of reserve assets.

Contingency reserve—The contingency reserve is used to account for unplanned major expenditures, unbudgeted expenses, and operating deficits. Amounts received by this reserve result from surpluses from operations unless otherwise directed by the board of directors.

Addition maintenance reserve—The addition maintenance reserve is used to account for major repair and maintenance expenditures associated specifically to added structures made to members' homes. Amounts received by this reserve are derived from collections from members who are part of the addition maintenance program as well as interest earned on investment of reserve assets.

Working capital fund— In 1952 the Cooperative established a working capital requirement in the amount of 3% of the purchase price of each unit to provide sufficient financial resources to operate the Cooperative and meet acquisition costs. In 1994 the board of directors reduced the working capital collected with the purchase of a unit to 1%. In 2010 the board of directors eliminated the collection of working capital in an attempt to stimulate the purchases of Cooperative homes. For purchases beginning April 1, 2015, the board of directors reinstated the collection of 1% of the purchase price of each unit as a contribution to the working capital fund.

Unreserved operating fund—The unreserved operating fund is used to account for the day-to-day activities of the Cooperative, including the general management and upkeep of the common property. Amounts received by this reserve are derived from the periodic member collections as determined by the board of directors. This reserve accounts for any surpluses and deficits not otherwise accounted for in the Cooperative's equity.

GREENBELT HOMES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Members' Equity Transactions

Member capitalizations in the consolidated statements of members' equity reflect the members' contributions to the various reserve accounts. Transfers reflect the allocations among accounts that were approved by the board of directors of the Cooperative. Other comprehensive income/loss represents unrealized gains and loss in "available for sale" securities held by the Cooperative.

Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current year consolidated financial statements.

Date of Management's Review

Management has evaluated subsequent events through April 17, 2015, the date which the consolidated financial statements were available to be issued.

NOTE 2—ACCOUNTS RECEIVABLE - NONCURRENT

Prior to January 1, 1999, the Cooperative performed rehabilitation projects that were funded by loans from the U.S. Department of Housing and Urban Development (HUD) and National Cooperative Bank (NCB). Members who met predetermined qualifications were allowed to participate in the Rehabilitation Loan Deferral Program (RLDP) whereby they could defer the increases in monthly charges. Participants were required to be recertified annually. Simple interest is assessed at 3% on the unpaid principal balance. The entire balance consisting of principal and interest is due when participants terminate their memberships. The RLDP accounts receivable balance was \$61,153 and \$69,827 at December 31, 2014 and 2013.

The Cooperative established a Fee Increased Deferral Program (FIDP) in 1988 which allowed members who met predetermined qualifications to defer increases in their monthly charges. Participants were required to be recertified annually. Simple interest is assessed at a rate of 2% less than the last NCB rehab loan rate on the amount deferred until the money is repaid. The FIDP accounts receivable balance was \$11,642 and \$11,383 at December 31, 2014 and 2013.

GREENBELT HOMES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 2—ACCOUNTS RECEIVABLE – NONCURRENT (continued)

The Cooperative's board of directors voted to discontinue the member deferral programs described above effective January 1, 1999. In doing so, no new deferral amounts besides accrued interest were approved after the effective date. The balances of these deferrals are those approved prior to January 1, 1999.

NOTE 3—INVESTMENTS

Held to maturity securities, consisting of bonds, are recorded at amortized cost. The bonds have various maturity dates through 2023. The aggregate fair value of the bonds at December 31, 2014 and 2013 was \$11,409,184 and \$9,110,292.

Available for sale marketable securities, consisting of corporate bond mutual funds, are recorded at fair value, with the change in fair value during the year excluded from earnings and recorded as a separate component of members' equity.

Investment return for 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Interest and dividend income	\$ 522,105	\$ 691,798
Net realized gain (loss)	<u>15,869</u>	<u>(280,589)</u>
Investment return	<u>\$ 537,974</u>	<u>\$ 411,209</u>

The following summarizes the information relating to investments at December 31:

	<u>2014</u>	<u>2013</u>
HELD TO MATURITY		
Face value	\$ 10,630,000	\$ 8,330,000
Unamortized premiums	533,029	526,521
Unamortized discounts	<u>(41,906)</u>	<u>(24,033)</u>
Amortized cost	11,121,123	8,832,488
AVAILABLE FOR SALE		
Cost	5,061,440	5,790,136
Unrealized gain (loss)	<u>(50,640)</u>	<u>(62,166)</u>
Fair value	<u>5,010,800</u>	<u>5,727,970</u>
Investments	<u>\$ 16,131,923</u>	<u>\$ 14,560,458</u>

The investments are uninsured and are subject to changes in economic market conditions. The Cooperative's investment policy attempts to minimize market risk through portfolio diversification.

GREENBELT HOMES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 4—INVESTMENT IN NATIONAL COOPERATIVE BANK

Under the terms of its former loan with NCB, the Cooperative was required to purchase stock in NCB which served as additional collateral for the mortgage. The stock is carried at the cost of the purchased shares. The investment in NCB has not been increased nor have dividends been recorded for any stock dividend received in 2014 and 2013.

NOTE 5—HOMES FOR SALE

Homes for sale represents units of housing that the Cooperative now controls from former members. The units are being held for resale. The Cooperative recognizes these assets held for sale at the historical costs the Cooperative has expended on each unit.

NOTE 6—PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2014 and 2013 consisted of the following:

	2014	2013
Land	\$ 26,573	\$ 26,573
Equipment	953,179	931,009
Buildings and improvements	30,954,912	30,412,541
Vehicles and operating equipment	624,861	624,861
Property and equipment	32,559,525	31,994,984
Less accumulated depreciation	27,591,687	26,846,635
Property and equipment - net	\$ 4,967,838	\$ 5,148,349

Depreciation expense for 2014 and 2013 was \$745,051 and \$701,918.

NOTE 7—REPLACEMENT RESERVE AND ADDITION MAINTENANCE RESERVE

The Cooperative revised its replacement reserve plan in 2013 and 2011 to estimate the remaining useful lives and the replacement costs of the common property components. The addition maintenance reserve study was conducted in 2008. The Cooperative is funding for such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may materially vary from the estimated amounts. Therefore, amounts accumulated in the replacement fund may or may not be adequate to meet future needs.

Accordingly, the replacement reserve funding requirements of \$1,411,077 and \$1,326,531 were included in the 2014 and 2013 budgets, and these amounts were contributed to the replacement reserve in those years. The Cooperative added \$123,615 and \$118,263 of funding into the addition maintenance reserve in 2014 and 2013.

GREENBELT HOMES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 8—ESCROW OF FORMER MEMBER EQUITY

During 2003 the board of directors authorized the establishment of a purchase escrow account for the purpose of holding the net proceeds from the sale of occupancy rights and equity interest of former member units. The purchase escrow account was \$52,467 and \$52,599 at December 31, 2014 and 2013.

NOTE 9—INCOME TAXES

The Cooperative files a consolidated federal income tax return with its wholly-owned subsidiary, GDC. The Cooperative and GDC file separate income tax returns with the State of Maryland. GDC's net income is subject to taxation at the normal corporation rates.

The Cooperative's deferred tax asset and liability at December 31, 2014 and 2013 consisted of the following:

	2014	2013
Total deferred tax asset	\$ 111,000	\$ 155,000
Total deferred tax liability	(204,000)	(193,000)
Net deferred tax asset (liability)	\$ (93,000)	\$ (38,000)

The deferred tax asset relates primarily to federal and state net operating loss carryforwards which totaled approximately \$519,000 and \$245,000 at December 31, 2014 and 2013. The loss carryforwards begin to expire in 2026. The Cooperative did not record a valuation allowance at December 31, 2014 and 2013. The deferred tax liability relates primarily to differences in depreciation methods utilized for income tax and financial statement reporting purposes.

The provision for income taxes for 2014 and 2013 consisted of the following:

	2014	2013
Federal income taxes - current year	\$ -	\$ -
Maryland income taxes - current year	1,250	5,000
Deferred tax expense	55,000	1,000
Provision for income taxes	\$ 56,250	\$ 6,000

NOTE 10—CONCENTRATIONS OF CREDIT RISK

The Cooperative maintains cash balances at several financial institutions located in Greenbelt, Maryland and Raleigh, North Carolina. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Cooperative's cash balances were not in excess of the FDIC limits at December 31, 2014. At December 31, 2013, the Cooperative's uninsured cash balances totaled \$234,687.

GREENBELT HOMES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 11—FUTURE MAJOR REPAIRS, REPLACEMENTS, AND CONTINGENCIES

The Cooperative's board of directors requires funds to be accumulated for future major repairs, replacements, and contingencies. The funds are not maintained in separate bank accounts. Instead, these amounts are reserves of the Cooperative's members' equity.

The reserved amounts as of December 31, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Replacement reserve fund	\$ 12,211,658	\$ 10,851,355
Contingency reserve fund	909,789	902,172
Addition maintenance reserve fund	<u>1,109,209</u>	<u>982,716</u>
Total reserved amounts	<u>\$ 14,230,656</u>	<u>\$ 12,736,243</u>

Reserves are created when board of directors allocates equity for specific purposes. The contingency reserve and the replacement reserve were established by the board of directors in 1987. In 1995 the board of directors created the addition maintenance reserve.

NOTE 12—FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2014 and 2013 were as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bond mutual funds 2014	<u>\$ 5,010,800</u>	<u>\$ 5,010,800</u>	<u>\$ -</u>	<u>\$ -</u>
Bond mutual funds 2013	<u>\$ 5,727,970</u>	<u>\$ 5,727,970</u>	<u>\$ -</u>	<u>\$ -</u>

Fair values of bond mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTE 13—PENSION PLAN

The Cooperative sponsors a 401(k) pension plan. All employees of the Cooperative who have completed one year of service and have attained age 21 are eligible to participate in the plan. Eligible employees may defer up to 90% of their compensation not to exceed IRS limitations. Employer contributions to the plan are based on a predetermined formula as set forth in the plan document. Pension expense was \$81,656 and \$101,188 for 2014 and 2013.

GREENBELT HOMES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 14—LEASING ARRANGEMENTS

The Cooperative leases apartment units to tenants through GDC. Lease terms are typically for one year. The Cooperative collects a security deposit from each tenant that may be retained due to nonpayment of rent and damages to the leased premises in excess of ordinary wear and tear.

Property and equipment held for leasing purposes at December 31, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Land	\$ 26,572	\$ 26,572
Equipment	622,464	622,464
Buildings and improvements	<u>866,103</u>	<u>860,142</u>
Property and equipment	1,515,139	1,509,178
Less accumulated depreciation	<u>1,125,801</u>	<u>1,077,550</u>
Property and equipment held for leasing purposes - net	<u>\$ 389,338</u>	<u>\$ 431,628</u>

NOTE 15—COMMITMENTS

The Cooperative has entered into numerous contracts to receive various maintenance and repair services for its properties over multiple years at fixed prices.

GREENBELT HOMES, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
(UNAUDITED)
December 31, 2014

In 2008 the board of directors hired an independent advisor to provide a professional and independent opinion on the Cooperative's reserve plan. As a result, the Cooperative's staff adopted the consultant's recommendations and incorporated them into a prior study issued October 2007 to estimate the remaining useful lives and replacement costs of the components of common property. The estimates were obtained from licensed contractors and qualified staff that inspected the property. Replacement costs were based on estimated costs to repair or replace the common property components at the date of the study. The estimates were reviewed and updated by Cooperative staff in 2011. In 2013 the board of directors hired another independent advisor to conduct a comprehensive revision of the reserve plan. The following information is based on that revised plan and presents significant information about the components of common property.

COMPONENT	Estimated Useful Life	Frame Homes	Masonry Homes	Larger Homes
Administration building	15-40	\$ 175,224	\$ 102,308	\$ 5,087
Attached garages	25	-	166,360	-
Baseboard heater	32	902,720	526,890	-
Ceiling heater	25	178,560	103,320	-
Copper gutters	60	-	-	-
Electrical systems & wiring	90	3,805,312	2,452,065	139,200
Entrance doors	35-50	1,378,880	797,860	52,200
HVAC, larger	20	-	-	230,550
Parking lots	25	593,553	346,558	17,233
Playgrounds	25	86,800	50,680	2,520
Plumbing	75-85	3,897,193	2,477,862	192,096
Porch roofs, masonry	25	-	455,544	-
Porch stoops, frame	25	358,810	-	-
Roofs (main & porch), frame	25	2,562,238	-	-
Roofs, larger	20-25	-	-	126,375
Roofs, masonry	20	-	1,020,979	-
Rental garages	20-25	325,888	190,277	9,461
Siding, vinyl	35-40	3,502,329	172,121	71,993
Slate roofs	75	-	4,649,796	-
Sump pumps	20	51,975	49,287	-
Townhome drainage systems	20-30	-	-	244,900
Underground sewer	75	9,315,809	5,439,230	270,459
Vehicles	10-25	532,988	311,197	15,474
Water heaters	15	471,200	273,363	14,500
Window sets	35-40	3,821,184	2,400,907	201,439
Total		<u>\$ 31,960,663</u>	<u>\$ 21,986,604</u>	<u>\$ 1,593,487</u>

GHI MISSION STATEMENT

GHI is a cooperative that provides quality homes for our members and fosters opportunities for community. We will accomplish this by celebrating and respecting the historical legacy and ideals of the original Greenbelt plan.

We will maintain, protect and enhance the assets of the cooperative including the buildings, architectural design, open space plan (woods, walkways, playgrounds), while preserving the financial stability and sustainability of our cooperative community.

We will promote member diversity, member and community involvement, and education regarding our rights and responsibilities as co-op members.

We are the keepers of our property, and we have the right to expect that all of us will act responsibly to protect and care for that which each own and treasure together.

Adopted March 9, 2006

